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GOVT

MENT OF REGIONAL ECONOMIC EXPANSIONAGREEMENT

between

THE GOVERNMENT OF CANADA

and

GOVERNMENT OF THE PROVINCE OF PRINCE EDWARD ISLAND

dated



NDMENT NO. 3 TO THE COMPREHENSIVE DEVELOPMENT AGREEMENT
DATED THE 7TH DAY OF MARCH, 1969

THIS IS AMENDMENT NO. 3 TO THE
COMPREHENSIVE DEVELOPMENT AGREEMENT
DATED THE 7TH DAY OF MARCH, 1969

THIS MEMORANDUM OF AGREEMENT made this *23rd* day of *October*
1975

BETWEEN:

THE GOVERNMENT OF CANADA (hereinafter referred to as
"Canada"), represented by the Minister of Regional
Economic Expansion of Canada,

OF THE FIRST PART

AND:

THE GOVERNMENT OF THE PROVINCE OF PRINCE EDWARD
ISLAND (hereinafter referred to as the "Province"),
represented by the Premier of the Province of Prince
Edward Island,

OF THE SECOND PART.

WHEREAS Canada and the Province entered into an
Agreement dated the 7th day of March, 1969 (which Agreement as
amended by Amendments No. 1 and No. 2 is hereinafter referred to
as "the Original Agreement"), which provided for the implementation
of a comprehensive development plan;

AND WHEREAS Article 8 of the Original Agreement provides
that Canada and the Province from time to time may enter into memo-
randa of implementation in furtherance of the implementation of the
said comprehensive development plan;

AND WHEREAS Article 7 of the Original Agreement provides
for periodic review of the Original Agreement and for the amendment
thereof if Canada and the Province are of the opinion that the
objectives and basic strategy thereof require alteration or amend-
ment;

AND WHEREAS, in consequence of further review and because Canada and the Province have agreed that the First Memorandum of Implementation, which provided for the implementation of the first phase of the said comprehensive development plan, shall expire on the 31st day of March, 1975, Canada and the Province have agreed that certain changes should be made in the Development Strategy and that the second phase of implementation should commence;

AND WHEREAS His Excellency, the Governor in Council by Order in Council P.C. 1975-3/2195 of the 18th day of September, 1975 has authorized the Minister of Regional Economic Expansion to enter into this Memorandum of Agreement on behalf of Canada;

AND WHEREAS His Honour, the Lieutenant Governor in Council by Order in Council No. EC 951-75 of the 9th day of October, 1975 has authorized the Premier of the Province of Prince Edward Island to enter into this Memorandum of Agreement on behalf of the Province;

NOW THEREFORE IT IS AGREED BY AND BETWEEN THE PARTIES HERETO that the Original Agreement is hereby amended as follows:

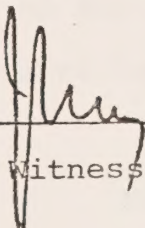
1. Article 12 thereof is amended by deleting the words "No Senator, Member of the House of Commons or Member of the Legislature of the Province" and substituting therefor the words "No Senator or Member of the House of Commons".
2. Schedule "A" (First Memorandum of Implementation as amended by Amendments No. 1, No. 2 and No. 3) to the Original Agreement is deleted and replaced by Schedule "A" (Second Memorandum of Implementation) attached hereto.

3. Schedule "C" (Development Strategy as amended by Amendments No. 1 and No. 2) is deleted and replaced by Schedule "C" (Development Strategy) attached hereto.
4. Schedules "C-1" and "C-2" are deleted.
5. The amendments made by this Memorandum of Agreement shall be effective as of April 1, 1975 and shall apply to all projects approved on and after that date.
6. This Memorandum of Agreement (to be known as Amendment No. 3 to the Original Agreement) shall be read with the Original Agreement and treated as part thereof and, to the extent necessary to give effect hereto, the Original Agreement shall be deemed to be amended, and as so amended shall remain in full force and effect.

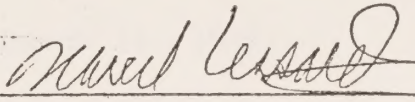
IN WITNESS WHEREOF the Minister of Regional Economic Expansion of Canada has hereunto set his hand on behalf of Canada, and the Premier of the Province of Prince Edward Island has hereunto set his hand on behalf of the Province, on the day and year first written above.

IN THE PRESENCE OF:

GOVERNMENT OF CANADA

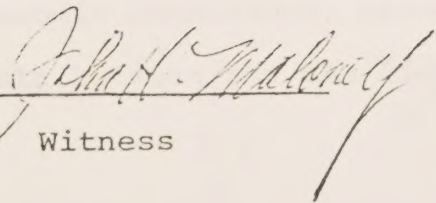


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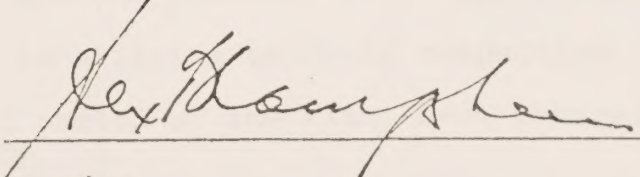


Minister of Regional Economic Expansion

GOVERNMENT OF THE PROVINCE OF
PRINCE EDWARD ISLAND



Witness



Premier

SCHEDULE "A"

SECOND MEMORANDUM OF IMPLEMENTATION

THIS AGREEMENT made this *23rd* day of *October*, 1975

BETWEEN:

THE GOVERNMENT OF CANADA (hereinafter referred to as "Canada"), represented by the Minister of Regional Economic Expansion of Canada,

OF THE FIRST PART

AND:

THE GOVERNMENT OF THE PROVINCE OF PRINCE EDWARD ISLAND (hereinafter referred to as the "Province"), represented by the Premier of the Province of Prince Edward Island,

OF THE SECOND PART.

WHEREAS Canada and the Province have signed an agreement dated March 7, 1969 (hereinafter referred to as the "Agreement") under which they agree to co-operate jointly and with the residents of Prince Edward Island in the realization of a comprehensive and co-ordinated development plan for Prince Edward Island (hereinafter referred to as the "Plan");

AND WHEREAS the Agreement provides that the financing of the Plan shall be determined through memoranda of implementation agreed to from time to time between Canada and the Province;

AND WHEREAS Canada and the Province jointly agree that no further projects will be approved under the First Memorandum of Implementation after March 31, 1975;

AND WHEREAS Canada and the Province jointly agree to implement the second phase of the Plan in accordance with the Development Strategy as outlined in Schedule "C" to the Agreement;

AND WHEREAS Canada and the Province have agreed that economic conditions, assumed in arriving at their respective contributions for the 15-year period of the Plan, have changed;



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AND WHEREAS Canada and the Province have agreed to make every effort to have the Development Strategy complemented, in a co-ordinated manner, by standard federal programs;

AND WHEREAS Canada and the Province have agreed that contributions to the Prince Edward Island-Mainland Electrical Interconnection shall be within the framework of the Plan;

AND WHEREAS the territory of Prince Edward Island is a predominantly rural area, has experienced widespread low income, has substantial adjustment problems and has significant potential for economic and social development;

AND WHEREAS His Excellency, the Governor in Council by Order in Council P.C. 1975-3/2195 of the 18th day of September, 1975 has authorized the Minister of Regional Economic Expansion to enter into this Second Memorandum of Implementation (hereinafter referred to as the "Memorandum") on behalf of Canada;

AND WHEREAS His Honour, the Lieutenant Governor in Council by Order in Council No. *PC 95275* of the *9th* day of *October*, 1975 has authorized the Premier of the Province of Prince Edward Island to enter into this Memorandum on behalf of the Province;

NOW THEREFORE IT IS AGREED BY AND BETWEEN THE PARTIES HERETO as follows:

1. Each provision of this Memorandum is subject to the terms and conditions of the Agreement and of this Memorandum, and is further subject to the necessary funds being made available by the Parliament of Canada and by the Legislative Assembly of Prince Edward Island.

2. In this Memorandum:

- (a) "fiscal year" means the period commencing on April 1st of any year and terminating on March 31st of the immediately following year;
- (b) "second phase of the Plan" means the period commencing on April 1, 1975 and ending on March 31, 1980.

3. The purpose of this Memorandum is, pursuant to Article 8 of the Agreement, to provide for the implementation of the second phase of the Plan.

4. (1) The sums which Canada shall contribute during the first two fiscal years of the second phase of the Plan shall not exceed Twenty-Five Million Dollars (\$25,000,000) in the first year and Twenty-Seven Million Dollars (\$27,000,000) in the second year, and the Province shall contribute approximately Seven Million One Hundred and Fifty Thousand Dollars (\$7,150,000) in the first year and Seven Million Five Hundred Thousand Dollars (\$7,500,000) in the second year.
- (2) The Minister of Regional Economic Expansion and the Premier of the Province of Prince Edward Island shall agree in writing, on the recommendation of the Board, to the allocation of the sums provided for in this Article in order to meet the program implementation requirements of the Development Strategy.
- (3) Canada's share of the sums allocated under sub-article 4(2) shall be as follows:
- (a) the school construction program, 50 per cent;
 - (b) the agricultural research program, 100 per cent;
 - (c) all other programs, 90 per cent.

5. In addition to the sums provided for in Article 4, the sums that Canada and the Province shall contribute in respect

of the Prince Edward Island-Mainland Electrical Interconnection shall be determined as follows:

- (a) by Canada through grants, the lesser of 50 per cent of the construction cost of the project, or Eighteen Million Dollars (\$18,000,000);
- (b) by Canada through loans, the lesser of 50 per cent of the balance of the construction cost of the project, or Nine Million Dollars (\$9,000,000), under an agreement between the Department of Energy, Mines & Resources and the Province in accordance with the federal government policy relating to regional interconnection of electrical power systems;
- (c) by the Province, the balance of the construction cost of the project,

provided that the Province shall have the option of submitting claims to Canada for all eligible grant funds first.

- 6. Canada and the Province shall commence negotiations forthwith to determine the amendments to this Memorandum which are necessary to meet the financial requirements of the Development Strategy for the last three fiscal years of the second phase of the Plan.
- 7.
 - (1) Canada and the Province, from time to time during the life of this Memorandum, may jointly approve programs and projects which are consistent with the objectives and strategies outlined in the Development Strategy. In no circumstances shall funds be contributed in respect of any program or project which has not been jointly approved.
 - (2) Participation in programs and projects under this Memorandum shall not in any way preclude the Province from participating in other federal programs.
 - (3) Canada and the Province will seek to achieve a co-ordinated and concentrated application of relevant federal and provincial policies.

8. No further programs or projects shall be approved under the First Memorandum of Implementation after March 31, 1975. Notwithstanding the foregoing, Canada and the Province may jointly approve programs or projects to fund the unexpired portion of commitments made under first-phase projects which had been jointly approved on or before March 31, 1975.

9. (1) Allowable expenditures shall include the direct costs related to approved projects under the Development Strategy and may include:

- (a) such indirect costs as have been approved by Canada and by the Province, and
- (b) salaries of permanent employees of the Province or of its agencies when those employees work full time specifically and directly on jointly approved projects, for a continuing period of one month or more.

The Province shall be responsible for all other costs not specifically provided for in this Memorandum, or not a part of ongoing federal programs.

(2) The parties hereto intend to effect a gradual reduction in the total amount of salaries and related operating costs included in allowable expenditures in such manner as may be determined by the Board.

10. (1) Canada will reimburse the Province in respect of Canada's share of allowable expenditures which are made by the Province for jointly approved projects under the Development Strategy, on the basis of claims submitted from time to time by the Province covering expenditures actually incurred and paid by the Province. The claims shall be submitted in a mutually agreed manner and form, and certified by a senior officer of the Department and by the Provincial Auditor; provided, however, that in order to

assist the Province with the interim financing of jointly approved projects, Canada may also:

- (a) make interim progress payments to the Province not exceeding 80 per cent of Canada's share of claims submitted by the Province, and based upon estimates of expenditures actually incurred by the Province as certified by a senior officer of the Department, and
 - (b) make advance payments to the Province not exceeding 90 per cent of Canada's share of mutually agreed estimated expenditures on capital projects to be incurred by the Province during the fiscal year.
- (2) The Province will account for all interim progress payments and for all advance payments made by Canada, by submitting to Canada detailed statements of its actual expenditures in a mutually agreed manner and form, and certified by a senior officer of the Department and by the Provincial Auditor. In the case of interim progress payments, such statements shall be submitted within 90 days after March 31st and September 30th of each year and shall cover the six-month period ending on the dates mentioned. In the case of advance payments, such statements shall be submitted within 60 days after the end of the fiscal year concerned and shall cover such fiscal year.
- (3) Canada, or the Province, as the case may be, shall remit forthwith to the other party the amount of any discrepancy between the amounts paid by Canada and the amounts payable by Canada in reimbursement of the allowable expenditures actually incurred and paid by the Province, as disclosed by an audit certificate or a report of the Provincial Auditor, or of any auditor appointed by Canada.
11. No Senator or Member of the House of Commons shall be admitted to any share or part of this Memorandum, or to any benefit to arise therefrom.

12. With respect to the labour standards applicable to this Memorandum, the parties hereto agree as follows:

- (a) rates of pay prevailing in the area of employment for each classification of work shall be paid, subject to the minimum wage specified in provincial legislation;
- (b) in road and heavy construction, time and one-half the specified prevailing rate of pay shall be paid after the hours stipulated for purposes of overtime payment in the relevant provincial standards, which shall in no case be more than 50 per week, and
- (c) labour conditions shall be specified in all tendering documents and be posted conspicuously in the work place,

it being expressly understood and agreed that, to the extent that there are higher provincial standards applicable to particular occupations or regions, these higher provincial standards shall apply.

13. Canada and the Province agree to cooperate in measures which provide appropriate recognition to the federal and provincial governments respecting the implementation of projects under this Memorandum, and further agree as follows:

- (a) Canada is responsible for supplying throughout the period that work is in progress, a sign or signs, as appropriate in the opinion of Canada, indicating that the project is undertaken and financed in accordance with the terms of this Memorandum, and reserves the right to provide and install on completion of the work, wherever suitable, a permanent plaque bearing an inscription to the like effect, and
- (b) the Province is responsible for the installation, the maintenance and, at the completion of the project, the removal of any signs.

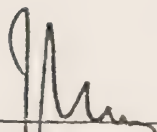
14. Unless the context otherwise requires, words and expressions used in this Memorandum shall have the same meaning as in the Agreement.

IN WITNESS WHEREOF the Minister of Regional Economic Expansion of Canada has hereunto set his hand on behalf of Canada,

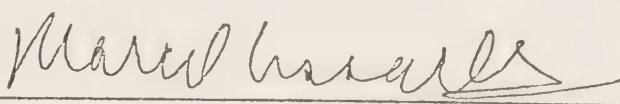
and the Premier of the Province of Prince Edward Island has here-
unto set his hand on behalf of the Province, on the day and year
first above written.

IN THE PRESENCE OF:

GOVERNMENT OF CANADA



Witness

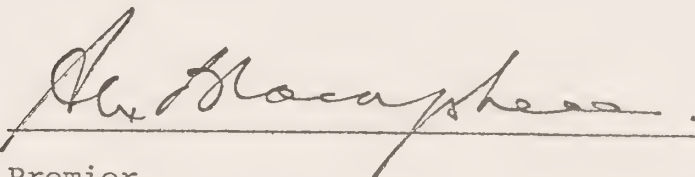


Minister of Regional Economic Expansion

GOVERNMENT OF THE PROVINCE OF
PRINCE EDWARD ISLAND



Witness



Premier

SCHEDULE "C"
DEVELOPMENT STRATEGY
BACKGROUND

Historically, the social and economic well-being of Prince Edward Island has been very dependent upon agriculture and the fishery. Prior to the commencement of the Development Plan in 1969, both of these sectors were characterized by low productivity, seasonal employment and unstable returns. Fluctuations in income and employment were transmitted directly to other sectors of the economy. A sustained effort was needed to strengthen the existing base and diversify the economy of the Province in order to provide greater opportunities for individual economic and social advancement. This process of economic change would be lengthy and complex and would be accompanied by substantial social adjustments. The comprehensive 15-year Development Plan represents the principal instrument for joint federal and provincial action to promote the economic and social development of the Island.

During the Plan's first phase, which ended on March 31, 1975, two principal approaches were applied concurrently. First, the economic opportunities readily accessible to enterprises in the primary resource sectors and in related activities such as processing were promoted vigorously. Secondly, ambitious programs were mounted to provide the facilities and skills that are needed in a more diversified economy. The promotion of both approaches has prompted substantial investment in highways and other types of economic infrastructure. Educational facilities are being consolidated and modernized. New programs have been started to strengthen the skills of, and provide greater opportunities for, the people of Prince Edward Island. The Plan has supported a broad group of agencies promoting social and economic development.

A number of conventional economic indicators reflect the gains made during this period. Per capita income has grown at a faster rate than the national average. Seasonal fluctuations in employment have been less extreme than in the period preceding the Plan. Additional employment has been created in the processing, manufacturing and service sectors. Total population has been rising steadily. There are also a number of preliminary indications of significant changes in the structure of the economy.

During Phase I, employment expanded most rapidly in sectors not directly related to primary production. Island products are now being promoted vigorously in national and international markets. New commodities have been introduced in the agricultural sector. The rapid expansion of the tourism sector has provided evidence of the entrepreneurial abilities of Islanders. The demographic pattern has altered with the Province experiencing net in-migration during the last three years of Phase I.

Detailed assessments of Phase I indicate that development of the economy is far from complete. The returns to primary producers could be increased substantially through better management, higher productivity and more effective marketing structures, systems and procedures. Benefits to the economy as a whole would be far greater if more primary produce was processed on the Island. Stable and continued expansion of secondary manufacture will require greater private sector investment in new plant and equipment.

OBJECTIVE

The general objective of the Plan is to create conditions in which the people of Prince Edward Island can develop economic enterprises for themselves so as to raise per capita income with equity and create more jobs while maintaining the environment.

STRATEGIES

Additional opportunities will have to be created by a steady expansion of the Province's productive capacity through careful investment of human, physical and financial resources. Within the public sector itself, there will be increased competition for limited funds. Of more immediate concern has been the generally unsettled economic situation. Phase II has been planned during a period of high inflation and economic difficulties. The national response to these problems will clearly affect the provincial economy. Moreover, changes in national policies affecting transportation, energy, foreign investment and income distribution can be anticipated.

All of these factors will influence the development of the Province during Phase II. The general outlook, however, remains optimistic because of the solid achievements of Phase I. The provincial economy is now in a stronger position to respond to new opportunities as they arise.

The principal strategies for Phase II have been summarized under the four broad headings of Economic Development, Support Activities, Social Development and Plan Implementation.

Economic Development

The objective of the agriculture programs will be to promote and facilitate higher and more stable returns from farmers' investments of labour, capital and skills. To attain this objective, it will be necessary to foster conditions in which farm production and productivity are increased while marketing systems are improved and market opportunities expanded. Opportunities will be identified and promoted through integrated packages of financial assistance, technical guidance and extension support services for individual farmers. A similar approach will facilitate the entry of new farmers and those replacing retiring farmers. Marketing problems will be overcome through provincial and federal stabilization schemes, increased local processing, better storage facilities and distribution systems, and more effective marketing mechanisms.

In the fishery, increased exploitation of species other than lobster will be encouraged. Fishermen will be able to increase their efficiency with new methods not requiring substantial outlays of capital. Major thrusts in fisheries will be the development of aquaculture and the improvement in the quality of fishery products. The processing industry will be encouraged to expand its activities and to produce a wider range of products. Government agencies will work closely with the private sector to develop an integrated system of marketing.

In the forestry sector, new programs will be started to raise yields by encouraging more efficient management of woodlots and greater use of improved varieties of seed. The land acquisition and reforestation programs will be expanded.

Greater benefits from tourism may not result simply from a commensurate rise in the number of tourists. Uncontrolled expansion would adversely affect the growth potential as well as the physical and social environment. A detailed analysis of the sector is now underway. The tourism programs in Phase II will be directed towards extending the season; increasing average tourist expenditures; fostering conditions conducive to a more even distribution of tourists throughout the Island, and preventing unsightly development. Other strategies can be anticipated once analysis of the sector has been completed and new policy guidelines have been formulated.

Industrial development will require more specialized types of infrastructure, such as serviced industrial sites. Research and advisory services will be expanded to assist firms in identifying new opportunities and improving their competitiveness. Federal and provincial agencies will offer a wide range of incentives to promising enterprises wishing to establish or expand their activities on the Island and an examination of means to assist a broad range of services will be undertaken. There will also be programs to encourage enterprises servicing primary production and small businesses engaged in handcraft and secondary manufacture. Assistance will continue to be given to raising the quantity and quality of primary produce processed on the Island.

The public sector will continue to play an important role in all of these income generating sectors. The federal and provincial governments will invest heavily in essential infrastructure and services. Enterprising individuals and firms will be able to make use of the incentives offered by a wide range of programs. Information on new opportunities will be conveyed quickly to producers. However, the effectiveness of these strategies in promoting economic development rests upon the ability of the private sector to identify and take advantage of promising opportunities.

Support Activities

The development strategies outlined above will give rise to competing demands for land. Careful planning is necessary so that the use to which land is put reflects economic priorities without compromising the physical and social environment of the Island. The managerial and planning capability developed in

Phase I will be used to formulate more specific guidelines to prevent alienation of land from agriculture, ribbon development, and damage to the coastal zone. Good agricultural land offered for sale which is or may become idle will be purchased, consolidated and improved where necessary, and made available on reasonable terms to new and established farmers. Selected areas suitable for forestry, fish and wildlife, tourism, recreation and conservation will be purchased.

The importance of adequate and reasonably priced transportation is self-evident. The Island's network of resource, collector and arterial roads will be upgraded where necessary. The feasibility of additional container services and of other methods of moving freight will be studied and, if appropriate, introduced. Special attention will be given to the shipment of potatoes and of bulk produce in general. A reliable long-term supply of reasonably priced power will be provided through the construction of a submarine cable to the mainland. Provision will be made for conversion to three-phase power where necessary. Aggressive and capable marketing will also form an integral part of the strategies for economic development. Emphasis will be placed on the development of new products, improvement in quality, and the establishment of effective selling networks. To this end, a full range of marketing services and technical advice will be offered to Island firms by government agencies. In the area of urban development, there will be improvement of the centre of Charlottetown and completion of the Summerside project. Agricultural development will be supported by agricultural research at the Charlottetown Station and at other locations. Provincial credit policy will be examined with a view to making appropriate changes.

Manpower development programs offer additional scope for increasing productivity and income. They also ease individual adjustment to economic change by producing opportunities to acquire new skills which will be in increasing demand. The programs for Adult Night Classes and the Employment Training Corps will be supplementary to other manpower training activities of the provincial and federal governments that are carried out separately from the Plan.

Social Development

The process of school consolidation started in Phase I will be continued. The Plan will provide for a substantial portion of the capital expenditures allocated for new primary and secondary facilities. Environmental protection will be based upon controls that are consistent with the economic and social needs of the Province. There will be careful studies of coastal zone development, soil erosion, and fresh water resources. Provisions for housing will be made in addition to separate programs and funding arrangements available outside of the Plan. A land subsidy program will be started to discourage ribbon development and encourage the construction of houses on serviced lots.

Plan Implementation

The dialogue between the public and the government has grown rapidly. As the emphasis in Phase II shifts from establishing the necessary physical and organizational facilities to more specific developmental efforts there is a need to strengthen existing mechanisms for interaction with the public. A community resources program will be initiated in Phase II for this purpose. It will be focussed on the Regional Services Centres and will have as its objectives: improving communications and understanding with the public; improving the quality of government services and assisting community organizations to become more capable and self-reliant.

The general responsibility for the implementation of the Plan rests with the Premier of Prince Edward Island and the Minister of Regional Economic Expansion of Canada. The Premier has responsibility for successful, integrated progress while the Minister is responsible for ensuring federal-provincial policy and program co-ordination.

The administrative structure is headed by the Joint Advisory Board, composed of five provincial and five federal representatives, and alternately chaired by each government. The Board meets, on average, twice annually to examine objectives and to evaluate progress. The Board recommends to both governments

all programs, annual budgets and financial forecasts; examines the suitability and success of programs and recommends modifications designed to improve the implementation of the Plan, and guides the work of the Management Group.

The Management Group is composed of the Provincial Deputy Minister of Development and the Director-General of Regional Economic Expansion for Prince Edward Island. Under the guidance of the Board, the Management Group defines priorities, formulates programs and prepares projects, and reviews and guides progress. The Management Group institutes assessment measures to determine whether implementation is realizing planned objectives, and to ensure flexibility.

The Management Group establishes co-ordinating committees consisting of representatives from appropriate federal and provincial agencies. These committees assist in the formulation of programs and projects and ensure that there is co-ordination with complementary programs. In addition, these committees promote flexibility in the administration of ongoing policy of both governments so that standard programs can supplant Plan programs.

IMPACT

The economic and social impact of Phase II will be assessed in terms that are broadly indicative of the desired direction of change.

Per capita income in Prince Edward Island is lower than the national average and the proportion of people in the lower income brackets is higher than the national average. It is desirable to continue the existing trend of narrowing the per capita income gap while, at the same time, reducing the percentage of people in the lower income brackets. It is unlikely that this will occur without less seasonal unemployment, higher productivity and more private investment.

Benefits of year-round employment, financial independence, more housing, schools, and paved roads, land use planning, and environmental protection are difficult to quantify. They will be assessed in more subjective terms through the ongoing management process.

REGIONAL IMPLICATIONS

Social and economic changes in the Atlantic Region will have a major impact on the development of Prince Edward Island. Federal and provincial agencies in other parts of the region have started ambitious programs to achieve goals, many of which are similar to those contained in the Development Plan. Close co-ordination among government agencies has been encouraged by the decentralization of the Department of Regional Economic Expansion. Shared concerns in policy areas such as transportation, power and industrial development have prompted closer cooperation among the provincial governments. The Development Plan provides for the inclusion of strategies designed to advance common developmental interests of the region.

FUNDING

Gradually, an increasing proportion of developmental needs will be satisfied by standard programs through the co-ordinated application of relevant federal and provincial policies. As this takes place, commencing in 1978/79, it is intended that the real level of contributions by the Department of Regional Economic Expansion will decline gradually.

